

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

The Elmira Savings Bank, FSB

Point of Contact:	Jason Sanford, SVP, CFO	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	293	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	9,090,000	FDIC Certificate Number: (For Depository Institutions)	16001
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 19, 2008	City:	Elmira
Date Repaid ¹ :	N/A	State:	New York

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The Bank increased mortgage originations in 2009 by \$47 million or 81% from 2008. Continuing into 2010, the Bank maintained that higher level of mortgage originations. There were \$104.9 million of mortgages originated in 2010 versus \$104.5 million in 2009.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The Bank originated \$104.5 million residential real estate loans in 2009, an increase of 81% from 2008. In 2010, the Bank originated \$104.9 million in residential real estate loans. The Bank sold \$47 million of these to the secondary market in 2010, retaining the remainder for the Bank's portfolio.

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☒ **Increase securities purchased (ABS, MBS, etc.).**

The Bank purchased \$10 million of additional securities, as a result of the initial receipt of CPP funds. In 2010, the Bank increased the investment portfolio, including FHLB stock, by \$24.6 million over 2009. Purchases consisted primarily of 10 and 15 year US GSE MBS and agency securities.

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☒ **Reduce borrowings.**

The Bank's borrowings have decreased by \$18 million from 2008 to 2009. From 2009 to 2010, borrowings decreased by another \$6 million to \$81.1 million.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

From the receipt of CPP funds in December 2008 through 2009, the Bank's total capital increased by \$14 million. Over that same period, the Bank's total assets increased by \$36 million. During 2010, total capital increased by \$1.9 million, while total assets increased by under \$1 million.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP funds provided the Bank with additional capital to enhance its "well-capitalized" position, as defined by the Office of Thrift Supervision, and enabled the Bank to avoid any interruption of its normal lending practices through the uncertain economic conditions of late 2008 and 2009. The Bank has maintained that enhancement to its "well-capitalized" position in 2010 and has continued normal lending practices.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Historically, mortgages had only been offered through originators in the Bank's mortgage loan department. During 2009, the Bank expanded its mortgage lending by developing no closing cost mortgage products, intended to simplify and expedite the mortgage loan process, and offered through the Bank's branch network. In 2010, this mortgage product continued on successfully, with \$12 million in originations for 2010 versus \$7.4 million originated in 2009. Secondly, the Bank developed a calling program targeted to small business owners in its geographic footprint. This calling program was implemented in 2009 and continued throughout 2010. The Bank is an express SBA lender and has laid the groundwork through this small business program to increase its small business lending. With signs of potential economic recovery taking hold in late 2010, the Bank expects an increase in small business lending in 2011.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.